

OSA - 1130-66

4 March 1966

Subject: Flip Charts from 3 March 1966 Negotiation Conference

Dear Chuck:

Per your request enclosed please find two (2) copies of the "Flip Chart" material presented during the Spares Negotiation Conference on 3 March 1966.

Regards,

*Jim*  
Jim

*AHch "B"*

Flip Chart I - Cost of Spares

Two Major Areas

I - Those elements of cost that can be estimated for each line item of Spares List. These include:

- a. Shop Labor
- b. Assembly Labor
- c. Inspection Labor
- d. Materials
- e. Subcontracts
- f. Finishing
- g. Overtime Premium

II - Those elements of cost that cannot be estimated for each line item. These include:

- a. Engineering Support
- b. Manufacturing Planning & Control
- c. Inspection Services
- d. Bulk Type Material
- e. Travel
- f. Packing and Shipping

Flip Chart II - Formula for Application of Those Elements of Cost  
that cannot be estimated for each line item

Let  $x$  = Sum of cost that can be estimated for each line item

$$(X_1 + X_2 + \dots + X_n)$$

$n$  = number of spare line items (including 45 day lists, where applicable)

$Y$  = Sum of costs that cannot be estimated on a line item basis.

$$x + Y + \text{Fee } (x + Y) = Z \text{ (Total Sales Price of List)}$$

$$\frac{Z}{x} = A \text{ (Factor to be applied to each line item)}$$

$$A(x_1) = \text{Sales price for 1st item on List}$$

$$A(x_2) = \text{Sales Price for 2nd item on List}$$

$$A(x_n) = \text{Sales Price for Last item on List}$$

and

$$A(x_1) + A(x_2) + \dots + A(x_n) = Z$$

STATINTL

Next 1 Page(s) In Document Exempt

Flip Chart V - Functions of Engineering Support

1. Initiate procurement of certain subassemblies from vendors. This effort includes the placing of the requisitions, monitoring of vendors and follow-up.
2. Monitoring the effort being performed by Manufacturing, including issuance of MI's to Shops and schedule follow-up.
3. Solution of technical problems arising during the manufacturing and testing of spares.
4. Maintain liaison with Program Management to effect changes in Spares orders.
5. Cost and Schedule control of Spares Effort.

Flip Chart VI - Functions of Manufacturing Support

1. MPC - Initiation and follow-up on all (except S/AS) Purchase Requisitions and Shop Orders. Cost and Schedule Control for all Manufacturing effort maintained by this group.
2. Receiving Inspection - Incoming Inspection on all bulk type items procured.
3. Inspection Services - Maintenance of vendor quality. Includes travel to various vendors for quality surveillance and inspection.
4. Packing and Shipping. Packing of all Spares items for shipping. Shipping charges are not included.
5. Bulk Materials - Certain types of materials cannot be quantified on individual spares items and are quoted here. This includes items such as: epoxy, paint, ink, rivets, varnish, wire, sleeving, etc.

Flip Chart VII - Spares Time Phasing Chart

		1964			1965			1966				
		A	M	J	J	ASON	DJFM	AMJJ	ASON	DJFM	AMJJ	Remarks
4928	Proposal						←	→				Start 3/12/65 Compl. 7/12/65
4928	Buy							PO's Placed				Start 4/5/65 Compl. Open
4928	Fab.							←	→			Start 6/14/65 Compl. Open
D-3												Compl. 7/12/65
D-4												Compl. 9/13/65
D-5												Compl. 10/4/65
D-6												Compl. 2/1/66
D-7												
D-8												

Note: - % Compl. as of 3/12/65:

D-3 - 75%  
D-4 - 65%  
D-5 - 55%

D-6 - 45%  
D-7 - 35%  
D-8 - 25%

Flip Chart VIII - Survey of Project 1942  
E System Manufacturing

46 Items Surveyed

Total Quantity of These Items Procured	8,083
Total Quantity of These Items Required	<u>6,816</u>
Balance	1,187
Residual Remaining in Stock	<u>388</u>
Parts Utilized (Shrinkage)	799

$$\frac{\text{Parts Utilized}}{\text{Requirements}} = \frac{799}{6816} = 11.7\% \text{ Shrinkage Used}$$

Flip Chart IX ... Survey of Project 4928  
Spares Lists 1(E) & 40

66 Items Surveyed

Total Quantity of These Items Procured	4,780
Total Quantity of These Items Required	<u>4,047</u>
Balance	733
Residual Stock Remaining	<u>446</u>
Parts Utilized	287

$\frac{\text{Parts Utilized (287)}}{\text{Requirements (4,047)}} = 7.1\% \text{ Shrinkage Used}$

Note: Job in process. More useage anticipated as major assemblies  
(i.e. Receivers, etc.) have not yet been tested.

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